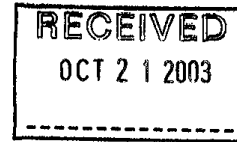




DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

October 15, 2003



MEMORANDUM FOR GORDON C. MILLBOURN III
ASSISTANT INSPECTOR GENERAL FOR AUDIT
(SMALL BUSINESS AND CORPORATE PROGRAMS)

FROM: W. Todd Grams *WTB*
Chief Information Officer

SUBJECT: Draft Audit Report – The Modernization, Information
Technology and Security Services Organization Needs to
Take Further Action to Complete Its Human Capital
Strategy (Audit # 200320030)

We have completed our review of the subject draft audit report. We appreciate the thorough review your staff conducted. We are very proud of your overall finding that MITS Services has made significant progress in developing a human capital strategy that is in line with the President's Management Agenda.

We agree we still have work to do to ensure we can hire and retain employees with the right skills at the right time to fulfill our mission. However, we believe our current efforts have placed us well on our way to meeting that goal. In addition, we are completing our first ever employee competency and skills inventory. This inventory represents the "supply" portion of the workforce planning process mandated by the President's Management Agenda. Aggregate data from the inventory, along with demand and retirement/attrition data, will be used to identify organizational gaps.

We have attached our response to your audit findings. None of the material in the draft report warrants protection under the Freedom of Information Act or any other applicable law.

If you have questions, please contact me at (202) 622-6800 or Thomas Mulcahy, Manager, Program Oversight Office, at (202) 283-6063.

Attachment

ATTACHMENT

Management Response to Draft Audit Report
The Modernization, Information Technology and Security Services
Organization Needs to Take Further Action to Complete Its Human Capital
Strategy (Audit No. 200320030)

RECOMMENDATION 1

To ensure that the MITS Services organization has sufficient data with which to determine human capital demands, the CIO needs to:

Support the Director, Management Services to work with offices throughout the MITS Services organization to identify human capital demand. The demand includes information to adequately plan the number, location, and assignment schedule of human capital assets for:

- Existing information systems (from owners in the Information Technology Services office).
- Future MITS Services organization operations (from owners in the Business Systems Modernization office).

CORRECTIVE ACTION

We agree that the MITS Services needs to develop a process for gathering and articulating human capital demand. The CIO has charged appropriate members of the MITS Services Senior Leadership Team (SLT) to develop the process for both Modernization demand as well as stay-in-business demand. Once this process is defined, the SLT will work with the Director, Management Services to develop an appropriate recruitment/retention strategy.

IMPLEMENTATION DATE:**COMPLETED:****PROPOSED:** September 30, 2004**RESPONSIBLE OFFICIALS:**

Director, Management Services

RESPONSIBLE PARTNERS:

Chief, Business Systems Modernization
Chief, Information Technology Services
Director, Resources, Allocation &
Measurement
Director, Financial Management
Services

Management Response to Draft Audit Report
The Modernization, Information Technology and Security Services
Organization Needs to Take Further Action to Complete Its Human Capital
Strategy (Audit No. 200320030)

CORRECTIVE ACTION MONITORING PLAN:

For FY-05, the Director, Management Services will develop a recruitment and retention strategy based on the human capital demand articulated by this process.

RECOMMENDATION 2

To ensure that the MITS Services organization has adequate staffing to meet its needs, the CIO should:

Charge the Director, Management Services to develop detailed hiring and retention plans. These plans should include staff position "return on investment" as a consideration for determining the type of talent to recruit or retain and should be incorporated into the MITS Services organization's human capital strategy with relevant links to its budget.

- Recruiting: Prioritize the most critical skills needs and position locations with project development, deployment, implementation, and operation schedules. Proceed with hiring specific skills based on decisions for recruiting the subject position with either fully trained or trainable talent, or through an internship program.
- Retention: Identify and compile retention incentives into a plan to maintain MITS Services organization talent pool.

CORRECTIVE ACTION:

We agree that the Director, Management Services should develop detailed hiring and retention plans. The Management Services office is currently engaged in completing the 1st ever competency and skills inventory. This inventory represents the "supply" portion of the workforce planning process mandated by the President's Management Agenda. Aggregate data from the inventory, along with the human capital demand that will be gathered and articulated via the process described in Corrective Action #1, and retirement/attrition data, will be used to identify organizational gaps. We agree that the plan will include retention incentives as appropriate.

Management Response to Draft Audit Report
 The Modernization, Information Technology and Security Services
 Organization Needs to Take Further Action to Complete Its Human Capital
 Strategy (Audit No. 200320030)

We agree to consider using a "return on investment" costing model for our hiring plans. However, development of an ROI model for a staff with highly technical, constantly changing skills requirements will be difficult and will require the joint efforts of Management Services, Financial Management Services and our SLT. To date, our research has not found an acceptable ROI model for IT recruitment currently in use in other federal agencies, nor in the public or private sectors. We cannot guarantee that we will be successful in developing such a model.

IMPLEMENTATION DATE:

COMPLETED:

PROPOSED: October 1, 2005

RESPONSIBLE OFFICIAL:

Director, Management Services

RESPONSIBLE PARTNERS:

Director, Financial Management
 Services
 Chief, Business Systems Modernization
 Chief, Information Technology Services
 Chief, Resources, Allocation &
 Measurement

CORRECTIVE ACTION MONITORING PLAN:

The Director, Management Services will develop detailed hiring and retention plans using supply/demand gap analyses as soon as demand data becomes available. The Director, Management Services will use a "ROI" costing model in the hiring plans should MITS Services successfully develop one.

Management Response to Draft Audit Report
The Modernization, Information Technology and Security Services
Organization Needs to Take Further Action to Complete Its Human Capital
Strategy (Audit No. 200320030)

RECOMMENDATION 3

To ensure that proper accountability is developed as part of the MITS Services organization human capital plan, the CIO should:

Charge the Director, Management Services to develop and implement processes for:

- Reviewing the development of the human capital strategy.
- Monitoring and assessing the effectiveness of the implementation and achievements of the resulting human capital strategy.

CORRECTIVE ACTION:

Management Services will provide quarterly input into the MITS Services Business Program Review (BPR) that addresses the status of executing critical, priority hiring.

IMPLEMENTATION DATE:

COMPLETED: Ongoing, but process implemented by September 30, 2003

PROPOSED: N/A

RESPONSIBLE OFFICIAL:

Director, Management Services

CORRECTIVE ACTION MONITORING PLAN:

The Director, Management Services will review the quarterly input into the BPR to ensure compliance with this corrective action.